Report to the Governor

of the

Governor's Commission on

Rail Enhancement for the 21st Century

in the

Commonwealth of Virginia

December 1, 2004

Governor's Commission on Rail Enhancement for the 21st Century in the Commonwealth of Virginia

December 1, 2004

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Warner:

On behalf of the Commission on Rail Enhancement for the 21st Century (the Commission), I am pleased to forward the enclosed report.

The Commission was tasked to review the State Rail Plan and Senate Bill 413 (2004), consider the formation of a rail authority, explore innovative financing options, and make other recommendations as appropriate. The Commission has accomplished these tasks and more. As we considered these issues, it became clear that, at both the national and state levels, a fundamental cultural and policy shift is needed – one that incorporates rail into the range of alternatives that must be considered in developing transportation solutions.

As reflected in our proposed rail vision, Virginia's rail system must be a partner in the mid-Atlantic region, providing higher-speed intercity passenger and commuter service to improve mobility, support economic development, reduce congestion, and address environmental challenges. Our rail system must be prepared to absorb significant increases in freight over the next several decades.

The rail goals we propose are focused on strengthening Virginia's economic base, providing an environmentally-friendly approach to added capacity for people and goods in our major corridors, and looking to a future higher-speed network in the mid-Atlantic region.

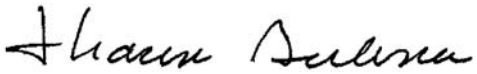
To advocate and sustain the vision and goals to enhance rail in the Commonwealth, we recommend that leadership be reaffirmed in the Department of Rail and Public Transportation (DRPT). In reaching this conclusion, we explored various governance alternatives, including

an independent authority. At some time in the future, an independent authority may be needed. At present, however, we feel that strong and professional leadership from DRPT, along with close coordination with the Commonwealth Transportation Board, is the best way to advance rail issues in the Commonwealth, while also ensuring multimodal connectivity, and that it is the most expedient and logical next step. Under any scenario, a dedicated funding source is essential – and it must be a new source, one that does not detract from the already modest funding allocated to Virginia Railway Express (VRE) and transit in the Commonwealth.

On behalf of the Commission I wish to express our appreciation to Secretary of Transportation Whittington Clement, Secretary of Commerce and Trade Michael Schewel, State Treasurer Jody Wagner, Director of the Department of Rail and Public Transportation Karen Rae and the many agency staff members and interested stakeholders who attended our meetings and assisted us in our deliberations.

It has been a privilege and an honor to have served the Commonwealth in this capacity. Commission members and I stand ready to assist with any next steps that may be required of us.

Respectfully yours,



Sharon Bulova
Chairman

Cc Members, Rail Commission

Table of Contents

Title **Page**

Executive Summary 5

1. Introduction 10
- **1.A. Establishment**
- **1.B. Charge of the Commission**
- **1.C. General Approach to Commission's Work**
- **1.D. Roadmap to Report**

2. Examination of Issues 13
- **2.A. Rail Transportation Assessment**
- **2.B. National Background**
- **2.C. Virginia Background**
  - **2.C.1. Virginia's Economic Goals**
  - **2.C.2. Virginia's Transportation System**
  - **2.C.3. Virginia's Rail System**
  - **2.C.4. Virginia's Transportation Funding**
  - **2.C.5. Virginia's Critical Rail Issues Today**
  - **2.C.6. *VTrans2025***

3. Virginia State Rail Plan 28

4. Commission Perspective..... 32
- **4.A. Vision for Virginia's Rail System**
- **4.B. Priority Rail Goals**

5. Commission Analysis 34
- **5.A. The Issues**
- **5.B. Virginia State Rail Plan Comments**
- **5.C. Governance**
- **5.D. Innovative Funding Mechanisms**
- **5.E. Transportation Policy**
- **5.F. Transportation Planning Considerations**

6. Recommendations 39

Attachments

- **A. Executive Order**
- **B. Meeting Minutes and Public Comments**
- **C. Governance Alternatives Pros and Cons**

Appendices (available in Report Supplement)
- **A. Virginia State Rail Plan**
- **B. Survey of States**
- **C. Commission Member Biographies**

Executive Summary

Charge: To examine the future of rail transportation in the Commonwealth, including:

Review of Virginia State Rail Plan
Consideration of a rail authority and review of Senate Bill 413 (2004)
Potential financing options
Other recommendations as appropriate

Commission membership:

Chair: The Honorable Sharon Bulova, Vice Chairman, Fairfax County Board of Supervisors
Richard L. Beadles, Director, Virginia Rail Policy Institute
James C. ("Jim") Bishop, Jr., former Executive Vice President, Norfolk Southern
Willie E. Lanier, Jr., Senior Vice President, Wachovia Securities
Harry T. Lester, Rector, Eastern Virginia Medical School
The Honorable John Mason, former Mayor, City of Fairfax
Dr. French H. Moore, Jr., retired Dentist, Vice Mayor, Abingdon
The Honorable Meredith M. Richards, former Vice Mayor, City of Charlottesville

Ex-officio members:

The Honorable Whittington W. Clement, Secretary of Transportation
The Honorable Michael J. Schewel, Secretary of Commerce & Trade
The Honorable Jody Wagner, State Treasurer
Karen J. Rae, Director, Department of Rail and Public Transportation

Assessing the situation- a transportation crisis is before us:

At the National Level

While traffic congestion threatens the quality of life in our most populous areas, highway systems in most metropolitan areas, especially along the East Coast, are approaching the limit of planned construction. New highway infrastructure is constrained by lack of funding as well as environmental issues, anti-growth perspectives, and less space in which to retrofit new highway lanes.

Many states have successfully partnered with freight railroads in order to provide commuter and intercity passenger rail alternatives. Attempts to accommodate ridership growth and address on-time performance are often difficult, as freight railroads struggle with their own challenges. When the local and state governments have made significant investments to add capacity and increase speeds on the freight rail lines, such as the Cascades Corridor in Washington and Oregon and the Capital Corridor in California, rail service has experienced substantial increases in ridership.

Throughout the past decades highway miles have increased and rail miles have declined. Between 1970 and 2003, Class 1 railroad miles were reduced by approximately 50%, many of

them going to short-line railroads (see page 15). From 1975 to 2003, freight carloads handled by railroads increased from 22.9 million to 28.9 million per year. Rail traffic density indicates higher utilization with "ton miles" per mile of track tripling.

In over 25 years, the Federal government has spent approximately three-quarters of a billion dollars on transportation, of which only 4% has been for rail.

In Virginia

From 1930 to 1990, highway miles in Virginia have increased almost tenfold. Still, severe traffic congestion affects the quality of life of many communities, and threatens to thwart economic development. In Virginia, alternatives to highway travel include bus service, Metrorail (in Northern Virginia) and the Virginia Railway Express (VRE) commuter rail system, which operates on Norfolk Southern and CSX tracks. While the partnership was rocky at first, VRE has become a success story and has benefited from public/private investments in its host railroads' infrastructure.

Transportation planners have long sought highway opportunities to divert truck traffic from congested highway corridors. The potential for rail alternatives has essentially not been considered as part of the equation.

Rail, in the meantime, has the potential for increasing its capacity, but has its own challenges in order to address choke points and clogged main lines. If the quality of rail transportation is not improved, some Virginia companies could be forced to relocate outside the Commonwealth in order to accommodate their shipping requirements.

The Virginia State Rail Plan (VSRP) has developed an unconstrained estimate of rail needs in the Commonwealth that totals $2.7 billion through 2010 and up to $8.1 billion through 2025. Passenger-only and joint passenger-freight needs account for 81% of this total, while freight-only needs represent 19%.

Currently, rail only receives $5-6 million each year for industrial access and the rail preservation fund. Virginia has no trust fund allocation for rail. Increased rail funding could provide substantial benefits to the public. For instance, in the Richmond to Washington DC corridor, an investment of $400 million could reduce train travel time along that corridor by a half hour and would, at a minimum, double the ridership from approximately 700,000 to 1.5 million annually.[1]

In struggling to address these challenges, Virginia continues to operate under funding laws essentially unchanged since their enactment 18 years ago.

[1] From the Virginia Department of Rail and Public Transportation's 1996 report "Washington DC- Richmond Passenger Rail Study". Available online at http://www.drpt.state.va.us/downloads/files/WashingtonDCStudyDetails.pdf

The Commission urges a fundamental cultural and policy shift, with rail as a major component in a multimodal solution to the transportation challenge; in response to its charge, the Commission recommends:

1. Adoption of following Virginia Rail Vision and Goals:

Vision

Virginia's rail system – a key component of the Commonwealth's intermodal system for the movement of people and goods – will be a partner in the mid-Atlantic region, providing higher-speed intercity passenger and commuter service along major corridors, and accommodating significant increases in freight movement supportive of the Commonwealth's economic development goals. Virginia's rail system will enhance safety, reduce congestion and achieve environment goals.

Goals

- Significantly increase both freight and passenger rail capacity and reliability in the I-81, I-64, US 460, I-95, and US 29 corridors.
- Working with the partner transportation commissions (NVTC and PRTC) and local participating jurisdictions, expand the Virginia Railway Express (VRE) to accommodate increased ridership and demand, improve service, and expand coverage both within their existing transportation commission boundaries and beyond.
- Establish the TransDominion Express (TDX) passenger rail service that would link Southwestern Virginia to Richmond via Lynchburg, and Southwestern Virginia to Washington, DC via Lynchburg and Charlottesville.
- Improve freight rail service to the Hampton Roads/Newport News ports.
- In coordination with the Federal government and other mid-Atlantic states, establish the infrastructure for higher-speed passenger rail between Washington, DC and Richmond as a spine that would connect to both Hampton Roads and North Carolina.
- Develop regional rail intermodal terminal facilities (e.g., in Petersburg, Roanoke and other areas).
- Continue strong and sustained support for Virginia's short-line railroads.
- Whenever railway rights-of-way are being considered for abandonment, ensure that those that may be needed in the future are preserved for future rail use.

2. Endorse the Virginia State Rail Plan as an excellent document providing an outstanding history of the rail industry and a cataloging of rail needs and projects in the Commonwealth, further recognizing, however, that it needs continued work by senior management to prioritize projects, to identify where public-private investments would be most beneficial and to shape the details of a rail implementation plan for the Commonwealth.

3. Reaffirm rail development responsibilities with the Department of Rail and Public Transportation, ensuring that adequate senior-level staffing is provided to achieve the rail vision and goals.

4. Designate the Commonwealth Transportation Board (CTB) as the entity authorized to issue bonds or other indebtedness to support rail enhancements, subject to bonding, statutory and constitutional requirements.

5. Create a permanent Rail Advisory Commission, chaired by an at-large member of the CTB designated by the Governor. The Commission would advise the Secretary of Transportation and the Director of Rail and Public Transportation (DPRT). In consultation with the Director of DRPT, it would also have the responsibility of making recommendations to the CTB as to distributions or grants from the Railway Preservation and Development Fund. Further, it would be charged with providing the focus and advocacy for rail issues needed to realize the Virginia rail vision and goals outlined in this report. The Commission would periodically review, update and assist with prioritization of projects in the Virginia State Rail Plan. The Commission would provide an annual progress report to the Governor, the Director of DRPT, the CTB and the Secretary of Transportation on progress being made to achieve the vision and goals, along with any needed recommendations.

6. Pursue dedicated and sustained funding mechanisms for rail enhancements with the goal of making funds available for leveraging through public-private partnerships, matching Federal funds and/or servicing debt. The Commission recommends and urges that this be a new source of funding, one that does not detract from the already modest funding allocated to transit in the Commonwealth.

7. Seek an amendment to the Code of Virginia (Section 33.1), Railway Preservation and Development Fund, to provide a matching requirement, or in-kind contribution, when monies in this Fund are used to partner with private railroad companies on projects that have a public benefit, as determined by the CTB upon recommendation from the Rail Advisory Commission.

8. Recommend that rail (both passenger and freight) be incorporated into Virginia's Commonwealth and metropolitan planning organization (MPO) planning processes.

9. In partnership with other states, pursue with the Federal government the inclusion of rail as a key element in national transportation policy and funding, with a view to its criticality in addressing the increasing freight demands, the need for higher-speed intercity passenger and commuter service, and environmental concerns.

Great (But Realistic) Expectations. This fundamental cultural and policy shift will not happen overnight. Rail development progress in the United States, and in the Commonwealth in particular, must necessarily be viewed as the continuation of successive steps leading to a more significant role for intercity passenger, commuter, and freight rail in a comprehensive intermodal transportation structure and service matrix. Public expectations for dramatic, near-term improvement in rail service should be tempered by the recognition that the rail mode of transportation has not enjoyed the public investment and policy support that has been accorded highways and aviation. Rebalancing this inequity in the transportation marketplace will take many years to achieve and will require a combination of executive and legislative initiatives that go substantially beyond the recommendations of this report. These expectations can only be met if there is active cooperation and partnership with railroads.

The benefits can be great, however. Mobility challenges, which threaten our quality of life and economic vitality, will best be met by investing in and connecting the mosaic of transportation modes and alternatives serving the Commonwealth.

1. Introduction

In order to serve citizens and businesses effectively, Virginia's future transportation network will require increased reliance on passenger and freight rail. Recognizing this requirement, Governor Mark R. Warner formed the Governor's Commission on Rail Enhancement for the 21st Century to examine the future of rail infrastructure in Virginia.

1.A. Establishment

The Commission was established through Executive Order 71 (2004) **(Attachment A)** from Governor Warner on May 18, 2004 and is in full force and effect until May 17, 2005. It is composed of eight members appointed by the Governor, including a chairman as designated by the Governor. In addition, the Secretary of Transportation, the Secretary of Commerce and Trade, and the State Treasurer, or their designees, and the Director of the Department of Rail and Public Transportation serve as ex-officio members of the Commission.

Members:

Chair: The Honorable Sharon Bulova, Vice Chairman, Fairfax County Board of Supervisors
Richard L. Beadles, Director, Virginia Rail Policy Institute
James C. "Jim" Bishop, Jr., former Executive Vice President, Norfolk Southern
Willie E. Lanier, Jr., Senior Vice President, Wachovia Securities
Harry T. Lester, Rector, Eastern Virginia Medical School
The Honorable John Mason, former Mayor, City of Fairfax
Dr. French H. Moore, Jr., retired Dentist, Vice Mayor, Abingdon
The Honorable Meredith M. Richards, former Vice Mayor, City of Charlottesville

Ex-Officio Members:
The Honorable Whittington W. Clement, Secretary of Transportation
The Honorable Michael J. Schewel, Secretary of Commerce & Trade
The Honorable Jody Wagner, State Treasurer
Karen J. Rae, Director, Department of Rail and Public Transportation

See **Appendix C** for a biography of each Commission member.

1.B. Charge of the Commission

The purpose of this Commission is to examine the future of rail transportation in the Commonwealth, including the consideration of a rail authority. The Commission is also charged to provide leadership on freight and passenger rail issues, policies and needs, and to examine options for leveraging private and public funding for rail service and infrastructure across the Commonwealth.

The Executive Order further directs the Commission to review the Virginia State Rail Plan, factoring the results of the Plan into its recommendations for enhancing rail service and infrastructure in the Commonwealth, review Senate Bill 413 (2004), make recommendations regarding the structure, authority and funding of a rail transportation development authority, including innovative financing options, and make such other recommendations to the Governor as may be appropriate. Recommendations to the Governor are due by December 1, 2004.

1.C. General Approach to Commission's Work

Background Material/Study. During the first Commission meeting, Virginia Transportation Secretary Whitt Clement discussed the executive order and expressed, on behalf of the Governor, his optimism for the success of the Commission's charge to find ways for rail (both passenger and freight) to become a more integral part of the Commonwealth's transportation solutions. He emphasized the success of the Virginia Railway Express (VRE), the findings of the Virginia State Rail Plan and the reports by the *VTrans2025* Committee as significant guideposts for strategic planning.

Key studies and materials reviewed during Commission meetings include the Virginia Rail Plan presentations, SB413, the I-81 Marketing Study, a rail authority presentation, the rail programs of three other states, and an overview of Commonwealth debt.

In addition to public outreach efforts, numerous items were also made available on the DRPT website for public review and comment.

Meetings. Five Commission meetings were held on the following dates: July 19, September 1, October 6, November 3, and November 16, 2004. In addition to Commission members, meeting attendees and speakers have included representatives of the following, among others:

Albemarle Corporation	Norfolk & Portsmouth Beltline Railroad
Amtrak	Norfolk Southern
Alliance for Community Choice	North Carolina & Virginia Railroad
Association of Railway Patrons	OMNIRIDE
Buckingham Branch Railroad	Port of Richmond Commission
CSX	Rail Solutions
Chesapeake & Albemarle Railroad	Shenandoah Valley Railroad
Chesapeake Western Railway	Virginia Conservation Network
City of Fredericksburg	Virginia Department of Transportation
City of Norfolk	Virginia Department of Treasury
City of Richmond	Virginia Railway Express
Commonwealth Railway	Virginia Resource Authority
Eastern Shore Railroad	Virginia Port Authority
Greater Norfolk Corporation	Virginia Senate Finance Committee
Greater Richmond Chamber of Commerce	Virginia Southern Railroad
Lynchburg Regional Chamber of Commerce	Virginia Transit Association
McGuire Woods	Virginians for High Speed Rail
NVTC	Winchester & Western Railroad

See **Attachment B** for complete meeting minutes.

Public Session. Participants of the public comment session, held at the beginning of the November 3rd meeting, expressed enthusiasm for the Commission's charge and provided valuable insight into the public's hopes and concerns relative to the future of rail in the Commonwealth. These comments validated the need to identify reliable, sustainable funding sources for future freight and passenger rail transportation and specified that these funding sources must be new sources. Additionally, there was considerable comment favoring the

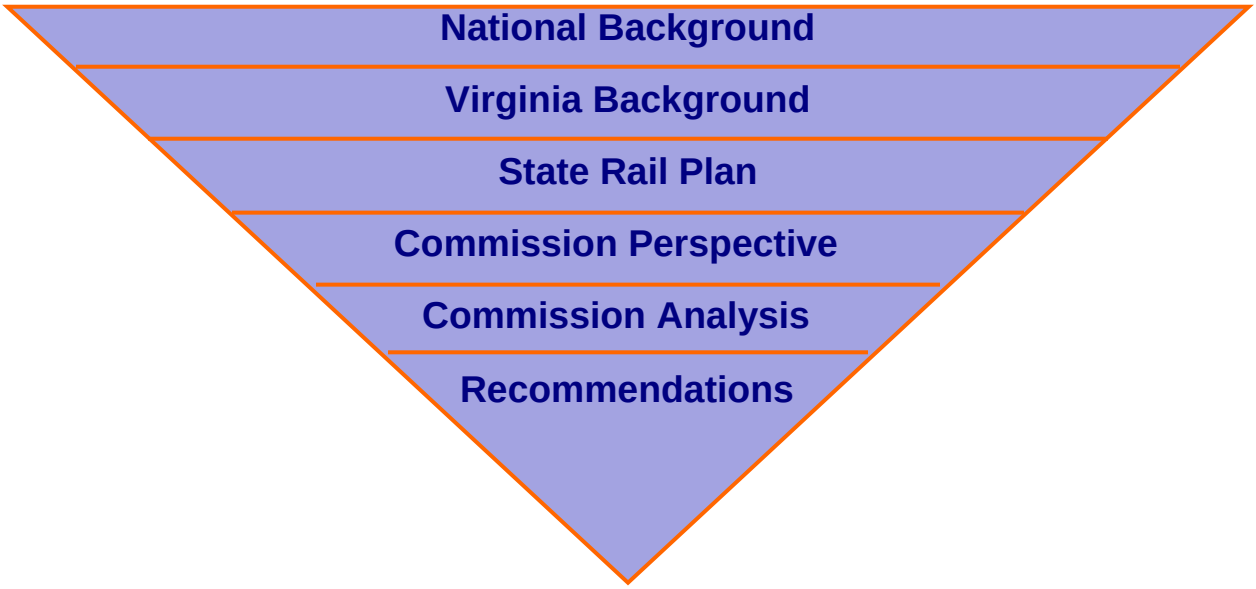
creation of a rail authority. Specific interests included, among others, securing alternative transportation options for the elderly, providing additional means for the rapid transport of military and homeland security materials, improving interstate commerce through enhanced freight operations as well as improving the safety and flow of highway traffic. See **Attachment B** for more detailed information on public comments.

Concept Development. The following are general steps that were followed in this process:

Constraints and Study Exclusions. In order to respond to Governor Warner's charge in a timely manner, the Commission focused primarily on the topics of freight, commuter, and intercity rail. Although light rail and metro (WMATA) were excluded, the Commission recognizes that these are integral elements of multimodal transportation in the Commonwealth. These areas have been addressed through the VTrans 2025 initiative.

1.D. Roadmap to the Report

The illustration below outlines the general organization of information contained in this report:



2. Examination of Issues

2.A. Rail Transportation Assessment

There is clear evidence that the performance of our nation's transportation system is declining. Our population has spread from urban centers to outlying suburban "edge cities," resulting in more miles of passenger travel than ever before. Our economy has become dependent on the movement of raw materials and finished goods across state lines and international borders, resulting in more miles of freight travel than ever before. Much of this increased demand has been handled without corresponding increases in the capacity of our transportation infrastructure. As a result, our highways suffer from record congestion levels, while our seaports, airports and railroads attempt to cope with service demands at the limits of their capabilities.

Virginia shares fully in these national problems. It hosts the nation's 12th largest population and its 12th largest employment base, along with some of its most congested urbanized areas. It is one of the nation's leading gateways for international freight, and is a major through-route for domestic freight moving between the Northeast, Mid-Atlantic, Southeast and Gulf Coast states.

In 2001, Virginia's railroads carried more than 189 million tons of freight and 3.6 million passengers, the equivalent of 16 million auto and truck trips on Virginia's roads.

As Whittington Clement, the Virginia Secretary of Transportation, has noted, "While the number of registered motor vehicles in the Commonwealth has increased by more than 50 percent since 1986, our new lane miles have grown only seven percent. I-81 was designed to accommodate traffic flow with only 15 percent tractor-trailers. Today, heavy trucks account for 40 percent of traffic volume on some sections of that Interstate. Of the 1.8 million containers that will pass through the Virginia Port Authority's terminals in Hampton Roads this year, only 22 percent will reach their inland destinations by rail."

Virginia is aggressively managing projects to increase the safety, security, capacity, speed and reliability of its transportation system. Major projects are underway at the Commonwealth's publicly owned airports and seaports. The Virginia Department of Transportation (VDOT) has a total budget of $3.4 billion in FY2004-2005, and the Commonwealth Transportation Board has adopted a six-year improvement program (effective July 1, 2004) of nearly $6.0 billion. However, meeting funding requirements continues to pose a challenge, partly because much of this funding is destined for debt service and maintenance activities rather than new construction.

There are limits to what can be done under traditional models of delivering transportation improvements. In many cases, our ability to expand the transportation infrastructure is limited by physical, environmental, community and/or cost constraints. Operational improvements, such as intelligent transportation systems (ITS) and advanced equipment, have helped the transportation system absorb major increases in traffic. However, much of the system is at (or fast approaching) its maximum operating capacity. We cannot ignore the need to provide new capacity. The problem is especially acute for Virginia's highways, many of which already operate at unacceptable levels of service for much of the day. Funds to accomplish needed

Most states, including Virginia, do not have a dedicated, reliable source of funds to invest in rail.

Under Virginia's Transportation Trust Fund formula, 78.7% goes to highways, 14.7% to transit, 4.2% to the Virginia Port Authority, 2.4% to airports, but zero percent is dedicated to rail.

highway improvements are limited and must increasingly be allocated to the growing costs of maintaining Virginia's existing system.

One innovative strategy to address this situation is to make better use of Virginia's railroad infrastructure as part of a coordinated multimodal transportation system in partnership with Virginia's highways. Rail is a critical part of the multimodal transportation system for moving people and goods to, from, within and through Virginia.

Today, rail provides a variety of public benefits. It reduces congestion and accidents on our highways, and could delay the need for additional highway capacity; it provides a lower cost transportation alternative on which many Virginia residents and businesses depend; it reduces fuel consumption, air pollution, and dependence on imported oil while providing critical connections between Virginia's seaports and inland markets.

Tomorrow, rail could provide even greater benefits. If we provide the right types of services in the right locations, we can expect to move more people and goods by rail, and take cars and trucks off Virginia's highways, helping to accommodate the projected growth. In many cases, investments in rail can provide more transportation, economic and environmental benefits than equivalent investments in the highway system. Rail is by no means the whole answer to highway congestion, but it can be very effective in critical high-density corridors, and must be considered within a broader statewide multimodal investment strategy.

To get the most out of Virginia's rail system, we will need to address a number of **key challenges:**[2]

- While much of Virginia's rail system is currently operating below capacity, there are **significant chokepoints** to eliminate for the entire system to operate more effectively.

- Virginia's rail system is privately owned by freight railroads and Virginia's current passenger railroads operate over these private rights-of-way. To better align for-profit business objectives with public benefit purposes and maximize passenger and freight benefits, **"win-win" scenarios must be identified** and aggressively pursued, with the full commitment and partnership of both the private and public sectors.

- There are **substantial long-term rail funding needs**. The Virginia State Rail Plan (VSRP) developed an unconstrained estimate of these needs of up to $2.7 billion through 2010, and up to $8.1 billion through 2025. Passenger-only and joint passenger-freight needs account for 81 percent of this total, while freight-only needs represent 19 percent. Page 118 of the Virginia State Rail Plan provides the following breakdown:

Joint Freight and Passenger 2004-2025	$2.5 billion	31%
Total Passenger Only including Commuter and Intercity 2004-2025	$4.1 billion	50%
Total Freight Only including Class I, II, III and Rail Access	$1.5 billion	19%
Grand Total	$8.1 billion	100%

[2] Drawn from the Virginia State Rail Plan 2004

- **Acting alone, neither the private nor the public sectors has sufficient capital for these investments.** To meet other rail needs that produce significant public benefits but represent less desirable business investments, public participation will be required.

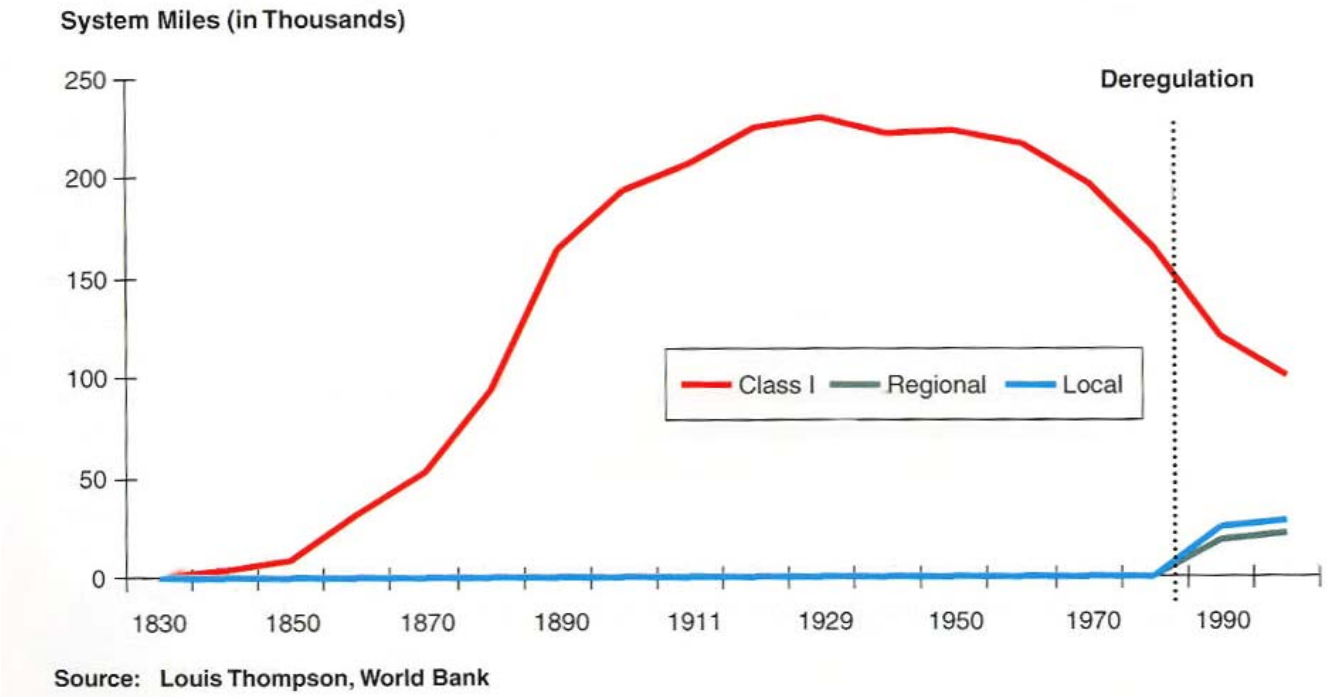
- **Federal support for rail improvements is minimal** and the potential for increased Federal funding is unknown.

2.B. National Background

- From 1975-2003, **railroad carloads increased** from 22.9 million to 28.9 million per year. Ton miles carried increased from 754,252 to 1,551,438 million.

- **Traffic density indicates higher utilization, but also signals congestion.** In 1975 there were 2.43 million ton miles per mile of track, while in 2003 there were 9.18 million- **an increase of 6.75 million ton miles per mile of track in just 28 years.**

- **Railroad capital expenditures as a percent of revenue are 18.8%, versus all manufacturing expenditures at 6.8%.** The cost of railroad capital expenditures (interest) is 10.2%, while the return on investment is at 6.8%.



Source: Louis Thompson, World Bank

Nationally, rail miles have been decreasing rapidly since the 1960's.

- **Miles owned by Class 1 railroads have been reduced by about 50%** between 1970 and 2003. Many of these miles were transferred to non-Class 1 railroads.

- The original Interstate Highway System has been fully constructed. **Highway systems in most metropolitan areas, especially along the East Coast, are approaching the limit of planned construction; new infrastructure is constrained by lack of funding as well as environmental issues, anti-growth perspectives, space, etc.**

FEDERAL EXPENDITURES ON TRANSPORTATION FROM 1977-2001 (25 YEARS) WERE $782 BILLION

- **48.4% highways**
- **22.4% air**
- **12.3% ports/water**
- **12.1% transit**
- **4.0% rail**

- **Freight truck traffic will double over the next decade;** in some corridors (e.g., those affected by NAFTA like I-81) there may be even greater growth.
- There is currently no national policy with respect to intercity and freight rail systems, with the exception of safety policies and programs.

2.C. Virginia Background

This section provides a summary of information relative to the Commonwealth's economic goals, transportation system, rail system, transportation funding, critical rail issues today and highlights from *VTtrans2025.*

2.C.1. Virginia's Economic Goals

One Virginia, One Future
(From Governor Warner's Economic Development Strategic Plan)

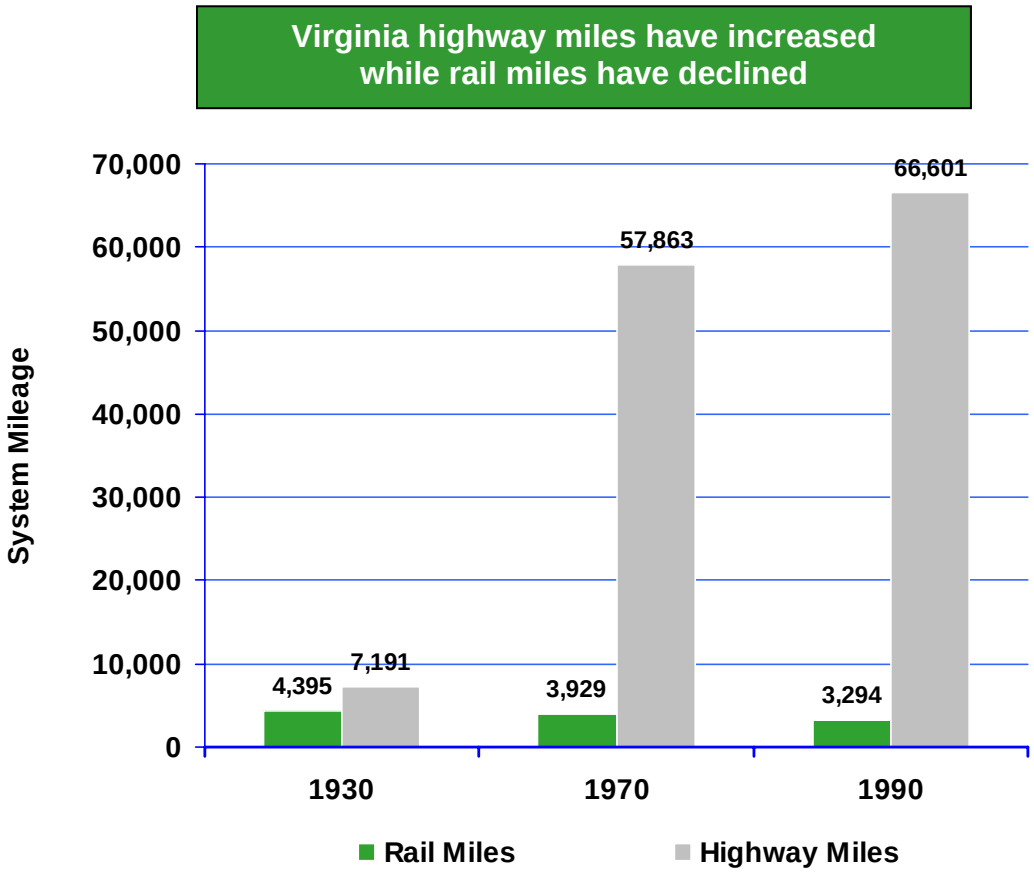
1. Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.
2. Provide effective workforce training programs to create and maintain a competitive 21st century workforce in Virginia.
3. Strengthen Virginia's traditional economic sectors and existing businesses.
4. Support technology businesses and other emerging and developing sectors of the economy which are of critical importance to the Commonwealth's global competitiveness.
5. Concentrate economic development efforts on areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.
6. Strengthen the market position of all of Virginia's regions as travel destinations for national and international visitors.
7. Encourage the growth of Virginia's economy through support of exports by Virginia companies and other forms of international trade.

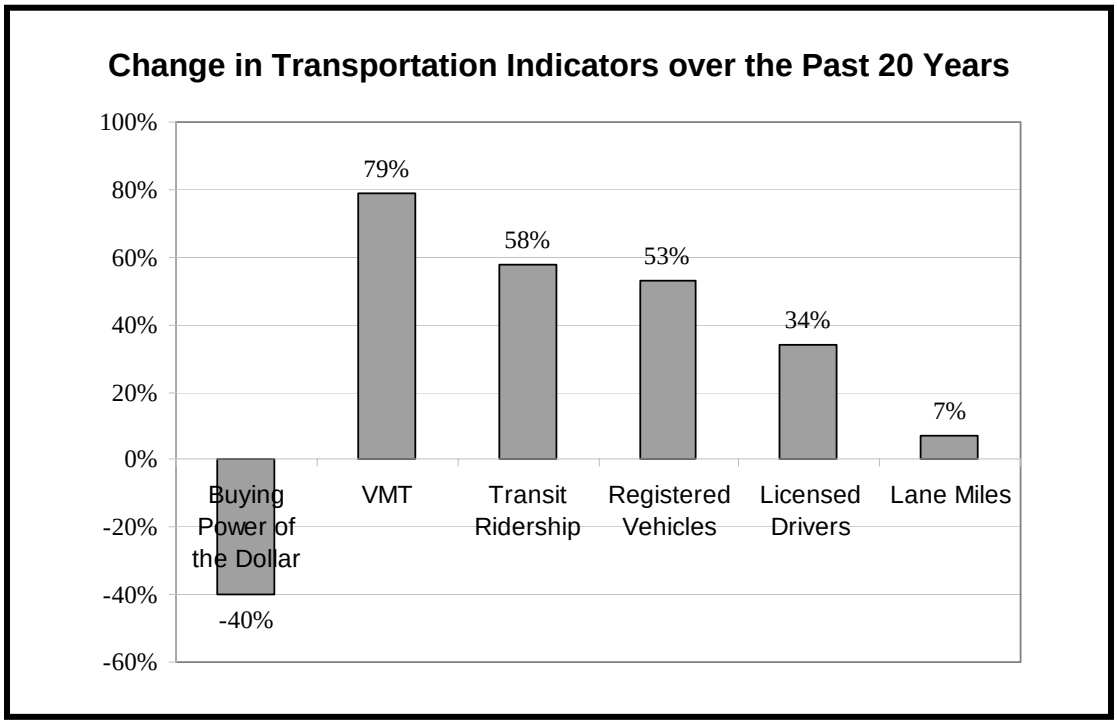
"Although education and transportation issues were beyond the scope of this [One Virginia One Future] report, it was acknowledged that a higher education system, a well-trained workforce and a good transportation network were important for economic development. Full version of Goal #5 recommends transportation improvements in rural areas. Goal #6

recommends improvements to transportation facilities to promote tourism. Goal #7 cites the importance of coordinating activities with Virginia Port Authority."

2.C.2. Virginia's Transportation System

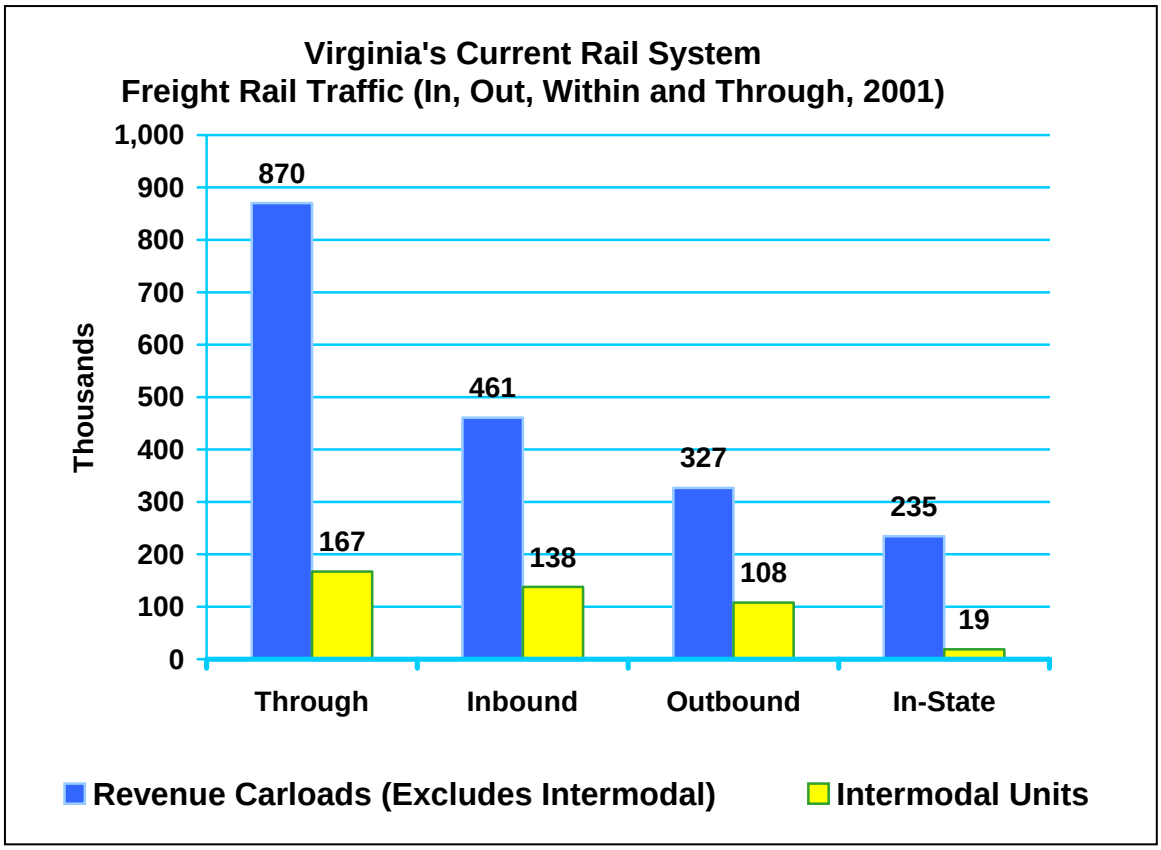
The charts below provide insight into Virginia's current transportation situation.

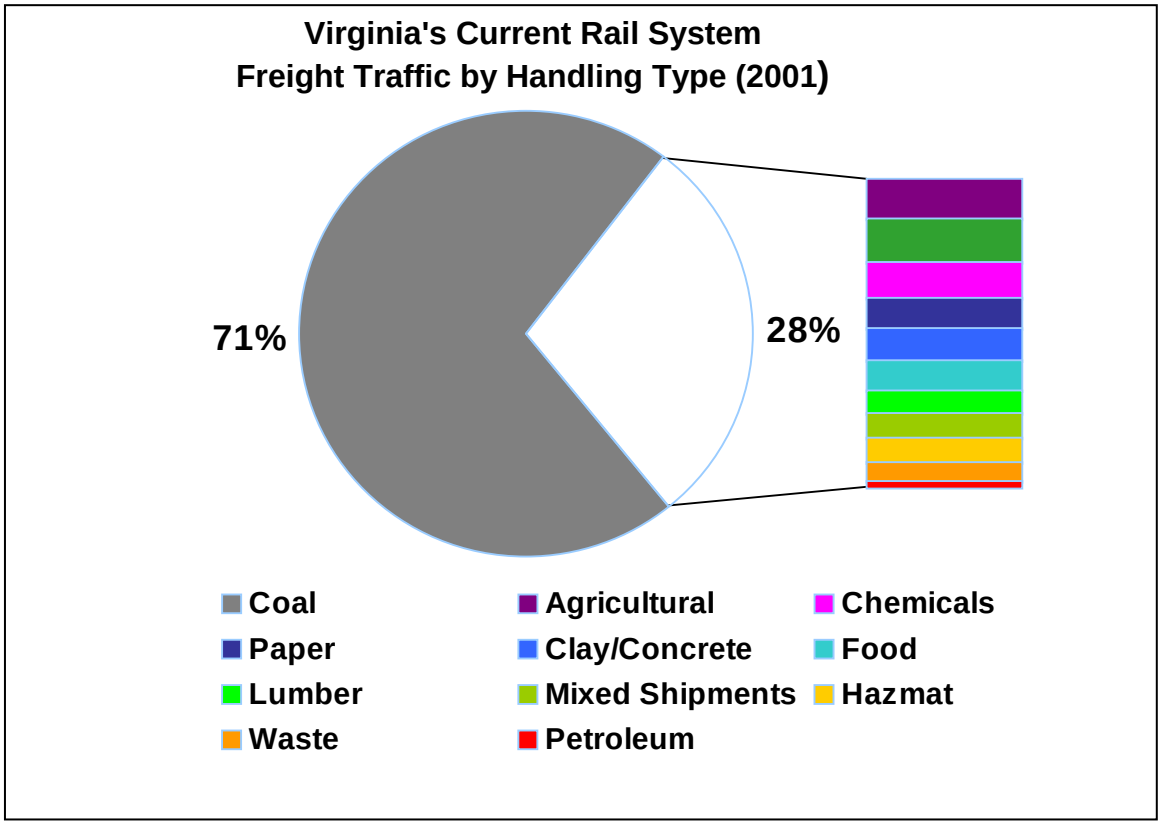




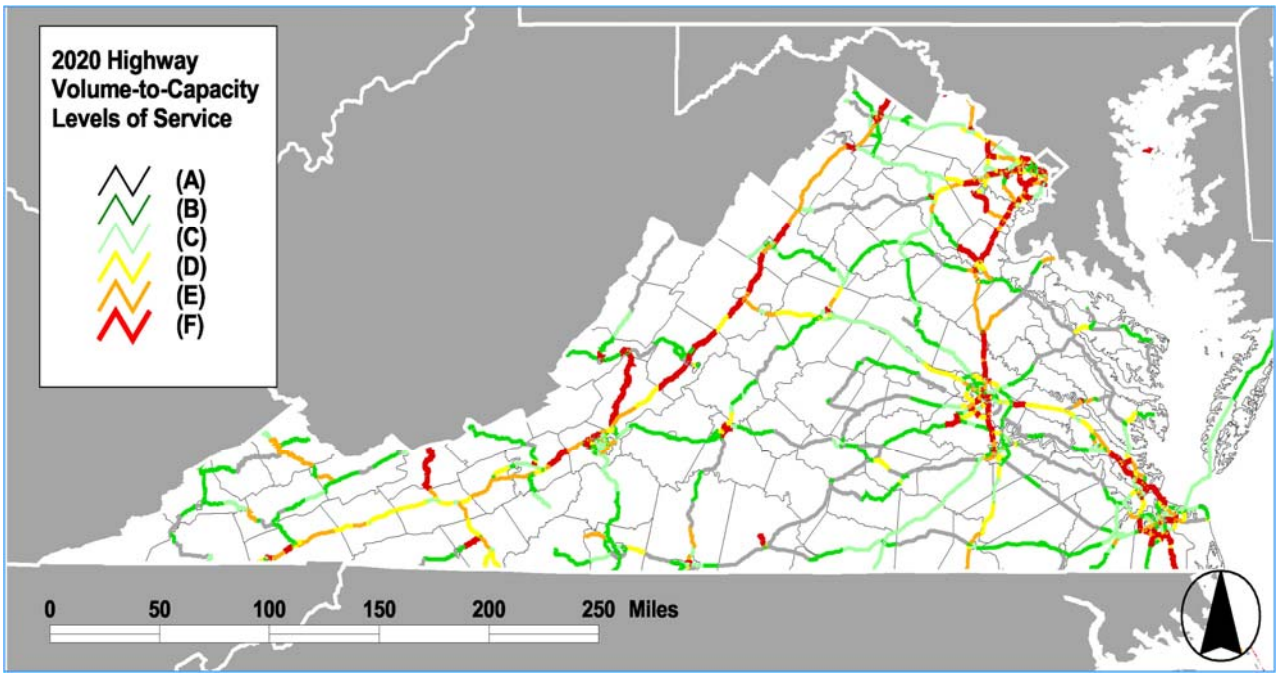
2.C.3. Virginia's Rail System

Freight Rail Profile





Public Benefits and Emerging Opportunities-
Rail Can Help Mitigate the "Worst Case" Scenario

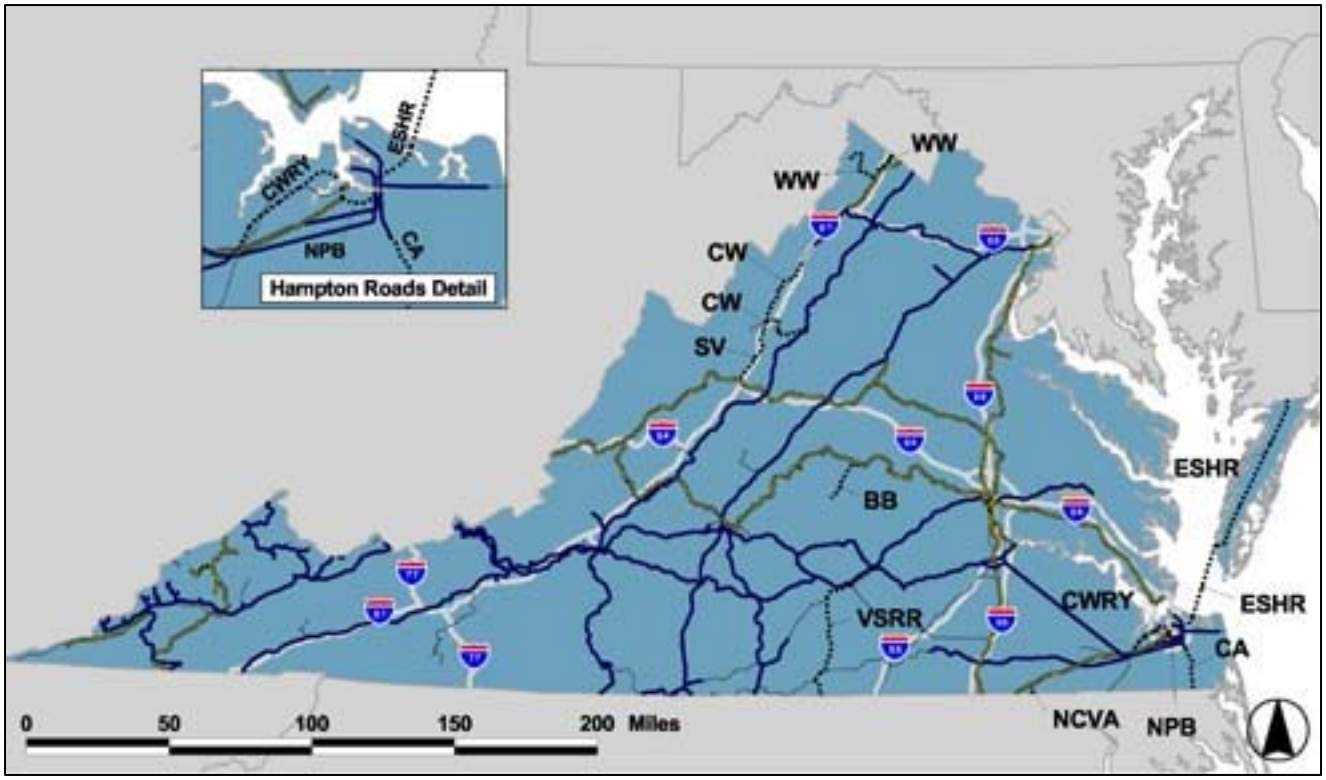


The Federal Highway Administration (FHWA), as part of its Freight Analysis Framework project, developed a forecast of traffic conditions in 2020 for the National Highway System. It shows that, in the absence of highway improvements, huge portions of Virginia's critical interstate highway system, particularly I-81, I-95 and I-64, will operate at unacceptable levels of service ("E" or "F").[3]

The Virginia State Rail Plan suggests an innovative public/private partnership with railroads to fund and deliver multimodal system improvements. In some cases -- especially in dense urban areas and intercity corridors -- rail investments or combined rail/highway investments may be a more cost-effective way of meeting the Commonwealth's transportation needs with less impact than highway-only investments. These efforts can help mitigate the impact of the worst-case scenario.

[3] The Transportation Coordinating Council (TCC) of Northern Virginia (predecessor to the existing Northern Virginia Transportation Authority (NVTA) in the development of its "2020 Plan" added a Category G because the projected congestion in Northern Virginia was not adequately described by the traditionally used bottom Category F.

Virginia Freight Rail Lines by Owner



Virginia Freight Railroads

Class I Railroads

Norfolk Southern (NS)

CSX Transportation (CSXT)

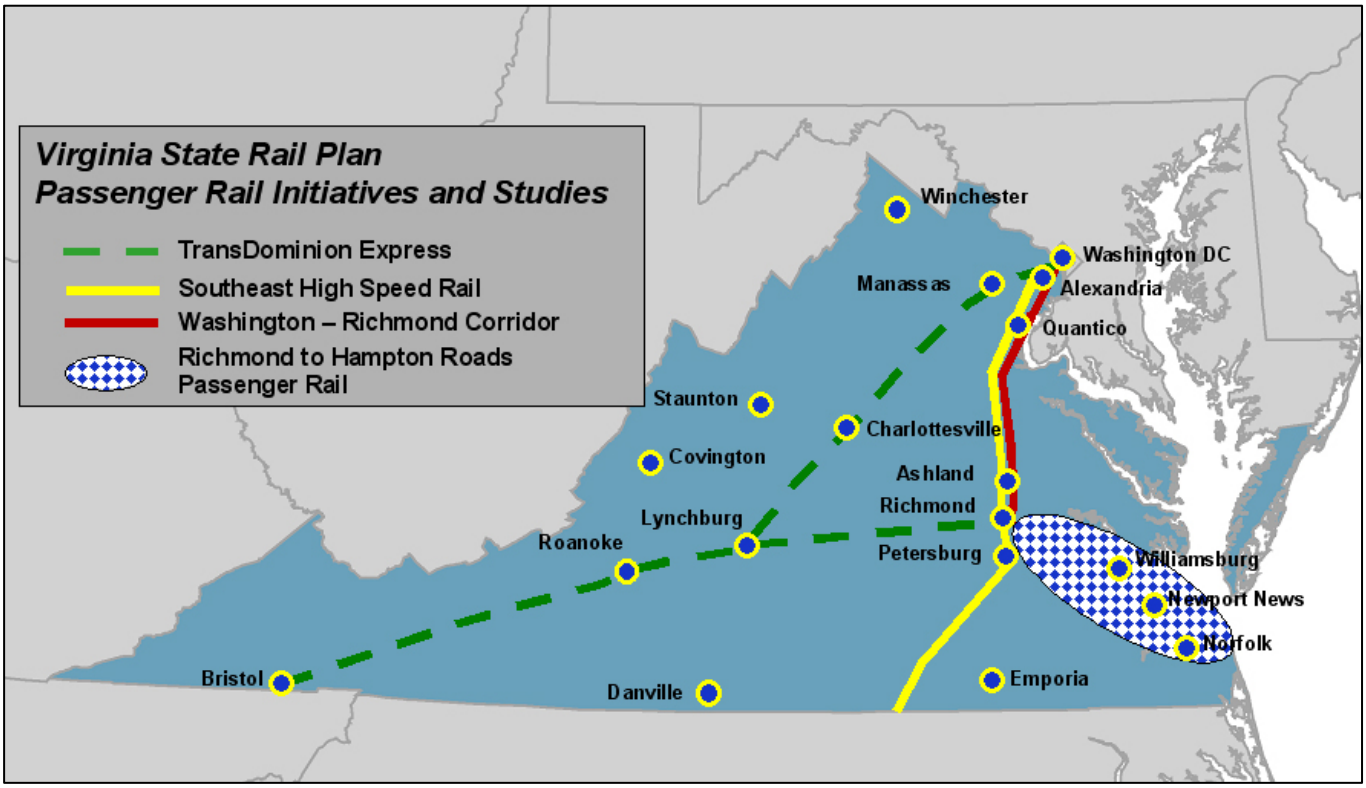
Shortline Railroads

Buckingham Branch (BB)
Chesapeake & Albermarle (CA)
Chesapeake Western (CW)
Commonwealth Railway (CWRY)
Eastern Shore (ESHR)
Norfolk & Portsmouth Beltline (NPB)
North Carolina & Virginia (NCVA)
Shenandoah Valley (SV)
Virginia Southern (VSRR)
Winchester & Western (WW)

Abandoned / Discontinued

Passenger Rail Profile

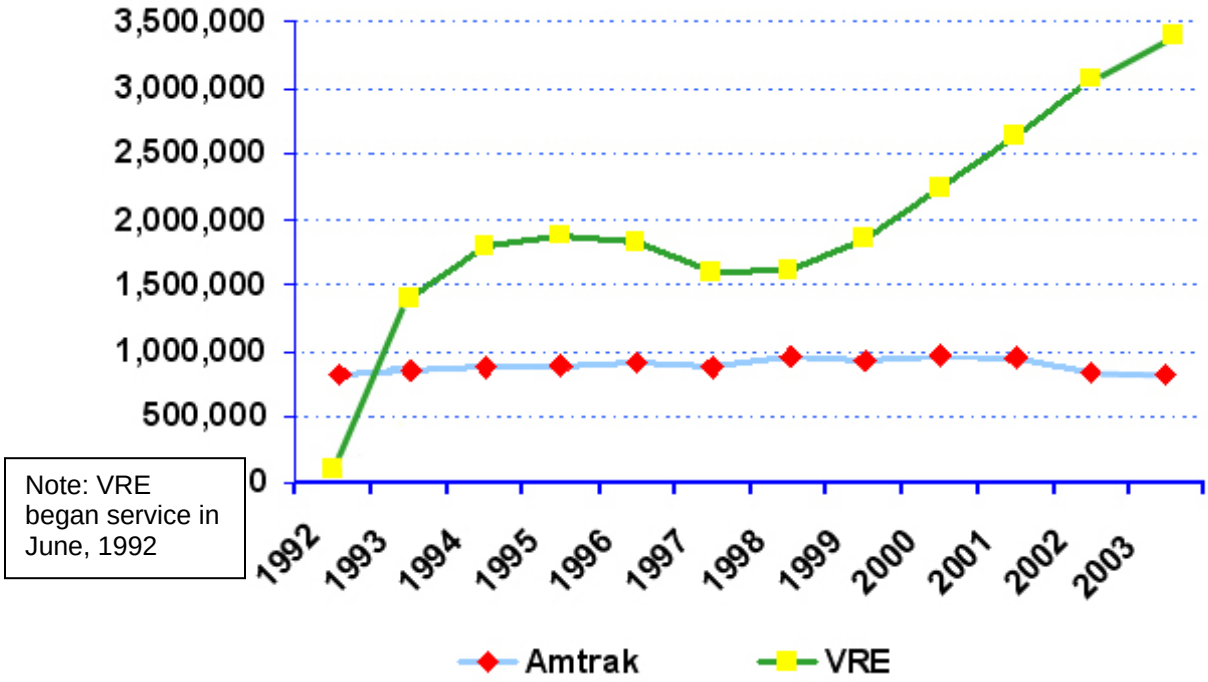
There are currently two passenger railroads – VRE and Amtrak – operating on approximately 616 miles of track in Virginia. In 2002, they carried approximately 3.8 million passengers over this system – 3,061,169 on VRE, and 815,045 on Amtrak. These figures do not include ridership on the Washington Metropolitan Area Transit Authority's (WMATA's) Metrorail system in Northern Virginia.



VRE operates passenger trains on an 80-mile system connecting Washington, D.C., with Fredericksburg and Manassas, Virginia. From Union Station in the District of Columbia, the Fredericksburg and Manassas lines share the same right-of-way for approximately 9.6 miles, to a point just south of Alexandria, Virginia, where they diverge. In Virginia, VRE is a tenant over the Norfolk Southern (to Manassas) and CSX (to Fredericksburg) systems, and contracts with Amtrak to operate the trains. VRE is operated today with a fleet consisting of 19 locomotives and 68 active passenger coaches.

Amtrak's Northeast Corridor (NEC) regional service runs from Boston to Richmond-Newport News in both the southbound and northbound directions. Within Virginia, the NEC service comprises 184 miles, and includes stops at Alexandria, Franconia/Springfield, Woodbridge, Quantico, Fredericksburg, Ashland, Richmond, Williamsburg and Newport News. A total of 27 train trips each week are made in the southbound direction, while a total of 28 trips per week are made in the northbound direction. Other Amtrak services within Virginia include five additional interstate routes.

VRE and Amtrak Annual Passenger Trips, 1992-2003



Note: VRE began service in June, 1992

If rail performance can be improved on Virginia's high density corridors, then substantial ridership increases are possible. For instance, in the Richmond to Washington DC corridor, an investment of $400 million could reduce train travel time along that corridor by a half hour and would, at a minimum, double the ridership from approximately 700,000 to 1.5 million annually.[4]

"Seniors who reach the point of being unable to drive or unwilling to brave congested highways really have little personal freedom in the travel sphere."

From the Public Comment Session

When states have made significant investments to add capacity and increase speeds on their key passenger routes, such as the Cascades Corridor in Washington and Oregon and the Capital Corridor in California, rail service has experienced substantial increases in ridership. In California, ridership has increased about 35 percent in the past five years. Annual ridership on the Cascades Corridor has increased from 94,000 in 1993 to nearly 600,000 in 2003 as a result of investments in rail infrastructure improvements and equipment. This is similar to the ridership increases that Virginia has experienced on VRE.

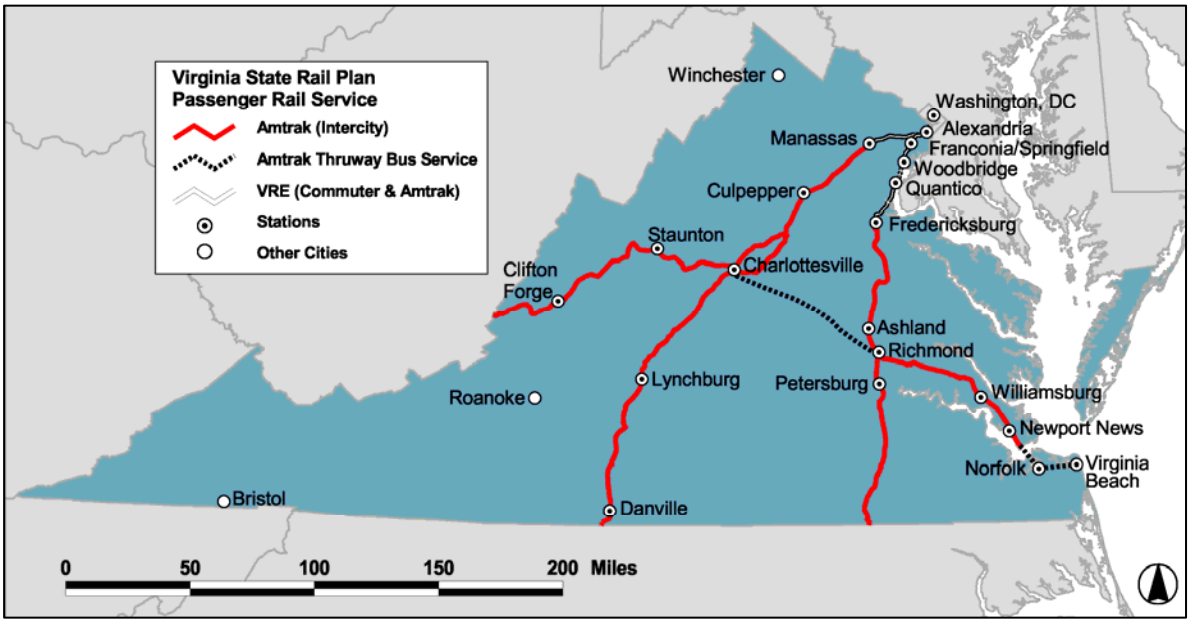
Since 1993, daily VRE ridership has more than doubled from 6,500 trips per day (November 1993) up to 15,153 trips per day (October 2004). In 2002, ridership topped 3.0 million for the first time. As population along the VRE corridors increases and highway performance continues to deteriorate, VRE is likely to play an even greater role in meeting Northern Virginia's mobility needs in the future. However, over the same period, total Amtrak ridership in Virginia has been relatively flat within the range of 800,000 to 950,000 riders per year.

[4] From the Virginia Department of Rail and Public Transportation's 1996 report titled Washington DC- Richmond Passenger Rail Study. Available online at http://www.drpt.state.va.us/downloads/files/WashingtonDCStudyDetails.pdf

Four stations (Richmond, Lorton, Newport News and Alexandria) account for around 75 percent of Amtrak boardings and alightings in Virginia. It is likely that Amtrak's inability to grow its ridership, especially in higher density corridors such as Richmond-Washington, D.C. and Hampton Roads-Richmond, is due to issues of reliability, service speed and service availability.

Today, Amtrak must request an annual appropriation from Congress during the budget cycle. The trend is toward shifting Amtrak costs to the States. The failure to design and fund a national rail system (similar to that which has been established for national highways) is negatively affecting the future viability of rail.

Amtrak Annual Passenger Trips, 1992-2003



2.C.4 Virginia's Transportation Funding

Virginia's current transportation funding framework was created during the 1986 Special Session of the General Assembly.

- There has been **minimal growth in transportation funding** – 2.4% over 6 years.
- Commonwealth funds allocated by the Commonwealth Transportation Board from 1987-2005 (19 years) were $30.1B, with 92% for highways, 6% for transit, 1% for ports and 1% for aviation. **Less than .02% is allocated to rail,** and this amount is derived from the highways portion of funding.

Per Secretary Clement, "The point is, we must press forward to seek creative solutions, be mindful of debt obligations and look for ways to partner."

TRANSPORTATION TRUST FUND INVESTMENTS ARE DIVIDED, BY LAW, ACCORDING TO THE FOLLOWING FORMULA:

- 78.7% highways
- 14.7% transit
- 4.2% ports
- 2.4% airports

Intercity passenger and freight rail are not part of this formula

- There is **greater reliance on federal funding** and there are increasingly complex state and federal rules governing how funds are allocated.
- There are increasing costs for highway maintenance and public transportation systems operations; the **Commonwealth is at the threshold of investing more funds in repair and maintenance than in construction.**
- **This is the longest period since 1986 of no adjustments to Commonwealth transportation taxes and user fees**.
- Currently, **rail only receives $5-6 million each year** for industrial access and the rail preservation fund.
- **Over a two-year period, a total of almost $400 million in transportation funds have been diverted to the General Fund for non-transportation purposes.**
- The draft *VTrans2025* report (November 2004) catalogs a **long list of unmet needs.**
- Within the transportation framework created in 1986, transportation revenues are divided between the following two separate funds, each designated for specific purposes:
  - **The Highway Maintenance and Operating Fund** (HMOF) receives most of the revenues generated by the Commonwealth's gas tax, motor vehicle sales tax and the annual vehicle license fee. In the coming fiscal year, fund deposits will total approximately $1.4 billion. These revenues are dedicated mainly to the maintenance of Virginia's network of roads -- the third largest system in the Nation. It also supports operations of the Department of Transportation (VDOT) and the Department of Rail and Public Transportation.
  - **The Transportation Trust Fund** (TTF) finances construction of new transportation infrastructure. The largest contribution comes from one-half cent of Virginia's sales tax; the fund also receives a share of revenue generated by the Commonwealth's gas tax, motor vehicle sales tax and annual vehicle license fee. Deposits will total approximately $1 billion in the coming fiscal year.

While congestion threatens the quality of life in more populous areas and economic development needs support through better roads, we continue to operate under funding laws essentially unchanged since their enactment 18 years ago.

2.C.5. Virginia's Critical Rail Issues Today

Changes in the global marketplace, just-in-time deliveries, equipment availability, reduced capacity and lack of rail funding have created issues for shippers.

In recent times, Virginia's shippers have experienced economic recovery and its impact on the railroad industry's ability to accommodate demand for increased service. A strong agricultural year has seen a bumper crop, creating a large shipper demand on an industry short of railroad cars. The lack of available cars has left Virginia's agricultural goods on the ground or in grain elevators with limited access to market and losses of inventory and crop revenue.

Unfortunately, this unusually productive season was observed across the Nation with every railroad and shipper scrambling to find cars. It is not only the agricultural marketplace that has been impacted by increased demand for rail shipments. Manufacturers have also experienced an interruption of just-in-time service.

If the quality of rail transportation is not improved, some Virginia companies and their jobs could be forced to relocate outside the Commonwealth.

Just-in-time service is measured by the ability to move freight efficiently through the rail system "just-in-time" for immediate use. Recent increases in demand have left railroad yards choked with trains. At times, main lines across the country are clogged with parked trains that have no crews or open railroad on which to operate. Due to years of yard and line rationalization as well as the inability to speculate on locomotive and facility investment, railroads are faced with a somewhat dismantled system adjusted to meet previous traffic demands, not the demands of today. Choked yards and clogged main lines have a direct impact on the industry's ability to meet just-in-time delivery. As railroads rationalized yards and merged operations for financial efficiency, crew change points and crew operating district lines were not redrawn, resulting in a shortage of personnel needed to move trains through the rail system.

For example, a Virginia pill bottle manufacturer without a continuous flow of rail cars carrying raw plastic must seek other means of receiving material to create bottles. Repeated or extended interruption in the supply chain could result in hundreds of thousands of dollars of direct expense to the manufacturer to provide for material delivery from another transportation mode, or it could shut manufacturing lines down until inventories are replenished. With slowing material flow and finished goods output, customers run out of finished product and must temporarily shut down or seek other suppliers, foreign or domestic.

Capitalization of railroads involves facility capacity and includes locomotives and cars for carrying freight. Due to the direct relationship between shipper demand for service, equipment availability, investor return and available credit, it is difficult for railroads to invest in equipment without a direct return on the investment. This creates an inability to react quickly to meet large increases in service demand.

Much of Virginia's bumper grain crop could not reach market due to a shortage of rail cars.

An example cited in a Virginia Agribusiness press release indicates a potentially disastrous $4.676 million loss for Virginia's corn growers alone.

2.C.6 *VTrans2025*

VTrans2025 (Virginia Transportation 2025) is a three-year statewide planning effort that will identify an integrated, multimodal, long-range transportation plan for the Commonwealth. This effort is supported by the Virginia DRPT, the Virginia Department of Transportation (VDOT), and other modal agencies under the leadership of Governor Warner.

VTrans2025 provides the vision and framework for long-range transportation planning. Most of us share a common "vision" of what we want the future to be like- peace, prosperity, opportunity, comfort, security, etc. Much of our shared vision of the future is affected directly by our ability to move throughout our communities, our regions, the Commonwealth and the nation. In other words, our future is in many ways determined by how well our transportation network functions.

Below are some key goals and recommendations of *VTrans2025* for the future of rail in Virginia, which the Commonwealth Transportation Board approved on November 18, 2004.

Policy Recommendations. Virginia's transportation system must meet the growing and changing needs of its travelers and businesses. The *VTrans2025* policy committee focused on the following four policy areas: funding/investment, land use, connectivity and priority setting (including the development of objective criteria), and recommendations on how to sustain the vision of *VTrans2025*. Those with direct application to rail include the following:

Funding/Investment

- Identify options for a new, sustainable source of Commonwealth funding to support freight and passenger rail.
- Substantially raise Commonwealth investment in transportation to maintain the existing system and expand capacity to meet growing needs.

Supporting Rail

- Work with railroad companies to ensure that upgrades are made to benefit both passenger and freight rail.
- Strongly advocate that the federal government take responsibility for making rail investments in Virginia, including its major corridors.
- Consider creating a Rail Authority or expand use of the Rail Preservation and Development Fund.

Connectivity

- Projects that connect travel modes will receive increased consideration in modal plans and funding decisions.

Priority Setting

- Establish objective criteria for all modes to measure and compare the merits of proposed projects and make more informed investment decisions.

Decision-Making Framework

- Continue developing the Multimodal Investment Network (MIN) approach as a framework for planning and prioritizing multimodal projects at the Commonwealth level.

Criteria for Evaluation of Transportation Projects, Including Rail
The following goals are the basis for specific criteria identified by the *VTrans2025* planning effort that should be considered in the overall evaluation of rail projects within the Commonwealth:

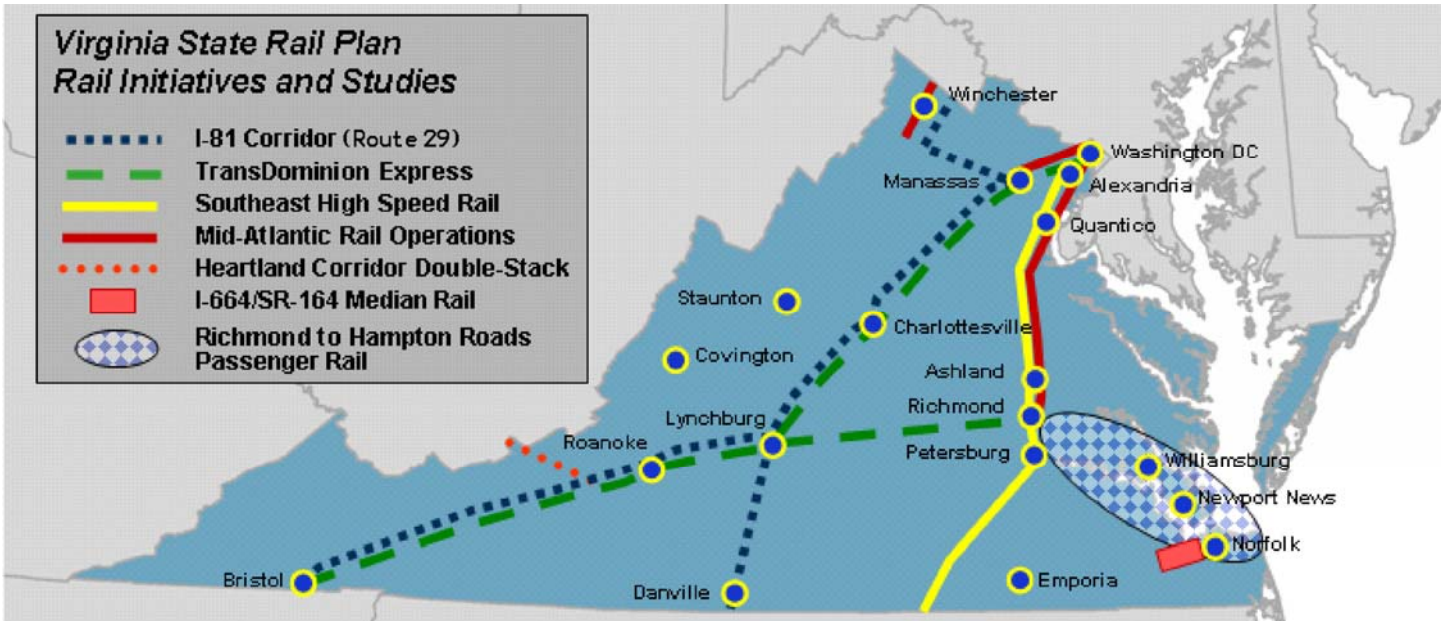
- Safety and Security
- System Management
- Intermodalism and Mobility
- Economic Competitiveness
- Quality of Life
- Program Delivery

For more information on *VTrans2025*, visit www.transportation.virginia.gov/VTrans/home.htm.

3. Virginia State Rail Plan

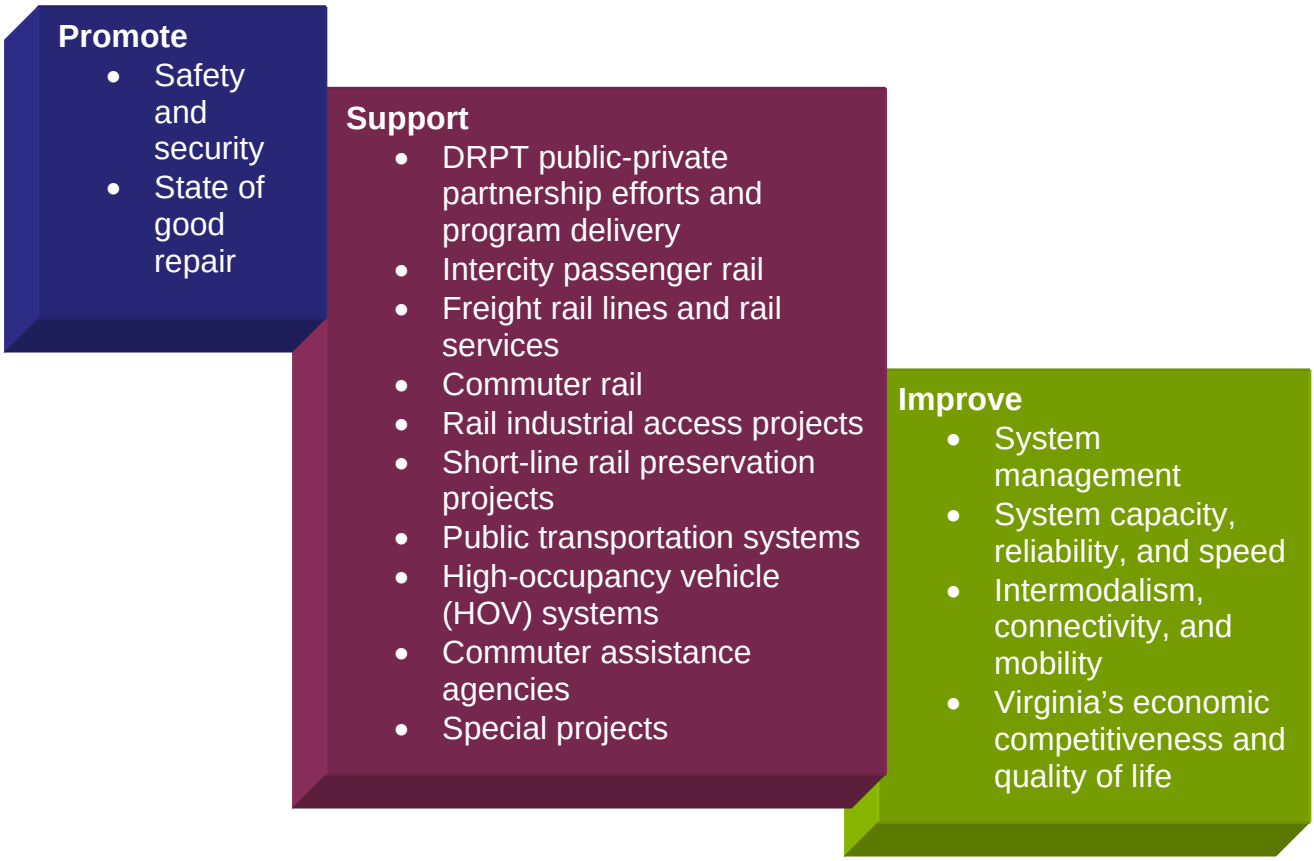
The Virginia State Rail Plan (VSRP) describes an overall vision for the Commonwealth's rail system, provides important baseline data on system conditions and system needs, and lays out key policy choices regarding the critical issues of governance and funding. It suggests two potential public policy tracks: either to move forward and invest in rail as a cost-effective means of improving the capacity and performance of Virginia's multimodal transportation system, or stand still and fail to invest in rail, foregoing the opportunity to make system wide improvements, and possibly even losing the significant benefits that rail provides today.

While the VSRP provides research, planning and specific recommendations, the plan also recognizes the need to develop an implementation or action plan based on these findings.



Virginia State Rail Plan Initiatives & Studies as of June 8, 2004

Below is a summary of key rail system goals, as outlined in the Virginia State Rail Plan.



Each of the goals described above is complemented by one or more objectives that prescribe actions to fulfill the vision of the Virginia State Rail Plan. A brief discussion of "status" and "future strategy" follows each objective. The status discussion summarizes Virginia DRPT's current involvement or progress toward the objectives. The future strategy discussion provides some future direction on how to more fully achieve each objective. The vision, goals, objectives and discussion presented are subject to revision pending additional review by Virginia DRPT, railroad stakeholders, and other outreach participants. These items are detailed in the Virginia State Rail Plan (see **Appendix A**).

Summary of VSRP Recommendations

1. Endorse the VSRP's rail vision, goals and overall investment prioritization criteria.

2. Formally express a willingness to invest in private rail system to achieve public benefits.

3. Endorse VSRP program alternatives and consider fast-tracking selected items.

4. Develop an institutional structure to identify and implement rail improvements, building on the Rail Transportation Development Authority Study Report.

5. Include rail investments as part of an integrated, multimodal investment strategy.

6. Identify strategies to increase the amount of funding available for rail.

7. Identify creative strategies to leverage private investment through public participation.

8. Maximize the role of the private sector and establish performance standards for private sector partners.

9. Revisit the Needs Assessment component of the VSRP to refine estimates of need versus available funding and to reprioritize programs and projects where necessary.

10. DRPT should continue to provide its traditional program support and functions.

11. Actively advance safety-related activities.

12. DRPT should enhance short-line assistance, rail corridor preservation and rail modernization efforts under its Rail Preservation program and other programs such as land banking.

13. Support efforts to modernize the rail freight system, including double-stacking.

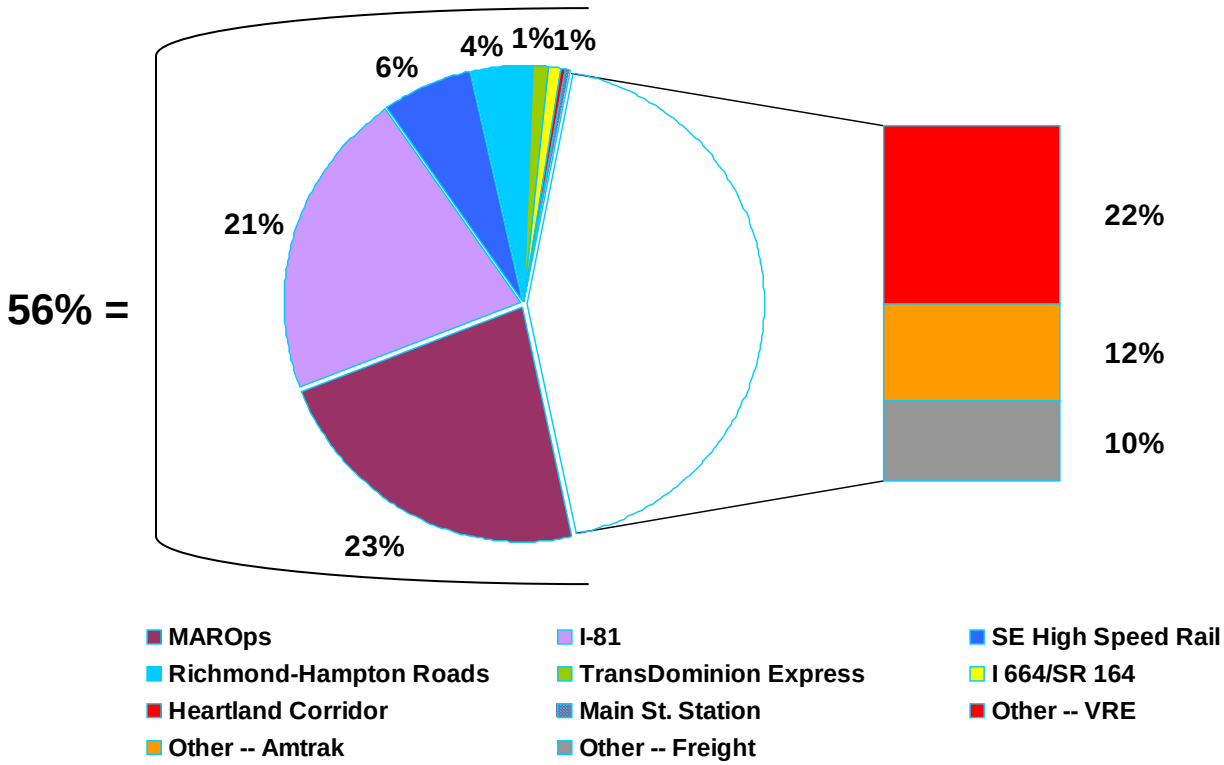
14. Encourage and facilitate improved access to commuter and intercity rail, along with the efficient transfer of passengers between modes.

15. With partners, work to promote and facilitate the use of highway-rail and water-rail intermodal services.

16. DRPT should enhance rail connections for Virginia under its Industrial Access Program.

17. Evaluate public benefits of return on rail program investments.

Unconstrained Funding Needs by Program, Through 2025



- VSRP estimates that around 56% of the total need is related to major program initiatives, including the following:
    - 23% for MAROps (Mid-Atlantic Rail Operations)
    - 21% for the I-81 Corridor Rail initiative
    - 6% for the SEHSR (Southeast Corridor High Speed Rail) initiative
    - 4% for Richmond-Hampton Roads high-speed rail
    - 1% for TDX
    - 1% for I-664/Route 164 median rail
    - Less than one percent each for the Heartland Corridor Double-Stack initiative and the Main Street Station initiative.
- Around 44% is related to other system expenses: 22% for VRE, 12% for Amtrak, (assumes that the federal initiative to shift Amtrak operating loss responsibility to the states is successful) and 10% for the freight railroads.

4. Commission Perspective

In response to its charge, the Commission reviewed the Virginia State Rail Plan. The following revised vision statement is recommended, along with some initial identification of rail enhancement goals.

Appreciating that a Commission response to its charge (addressing specifically future rail governance and funding issues) requires an agreed-upon perspective of a vision for Virginia's rail system and a first order identification of goals, this section describes the fundamental decisions made to address these issues.

4.A. Vision for Virginia's Rail System

The Commission recommends that the vision statement, as articulated in the State Rail Plan, be replaced with the following new vision statement, which provides a broader perspective of Virginia's future rail system.

> ***Virginia's rail system – a key component of the Commonwealth's intermodal system for the movement of people and goods – will be a partner in the mid-Atlantic region, providing higher-speed intercity passenger and commuter service along major corridors, and accommodating significant increases in freight movement supportive of the Commonwealth's economic development goals. Virginia's rail system will enhance safety, reduce congestion and achieve environment goals.***

4.B. Priority Rail Goals

The following are specific goals that the Commission believes should be priorities within the Commonwealth. It was strongly felt that these and future goals should respond to challenges as articulated in the revised Virginia Rail Plan Vision Statement and must not be a collection of isolated projects. At the same time, selection of projects should be made based on realistic achievement of broad-based support. Projects below are not listed in any priority.

- Significantly increase both freight and passenger rail capacity and reliability in the I-81, I-64, US 460, I-95 and US 29 corridors.

- Working with the partner transportation commissions (Northern Virginia and Potomac Rappahannock) and participating local jurisdictions, expand the Virginia Railway Express (VRE) to accommodate increased ridership and demand, improve service, and expand coverage both within their existing transportation commission boundaries and beyond.

- Initiate the TransDominion Express passenger rail service (TDX), which would link Southwestern Virginia to Richmond via Lynchburg, and Southwestern Virginia to Washington, D.C. via Lynchburg and Charlottesville.

- Improve freight rail service to the Hampton Roads/Newport News ports.

- In coordination with the Federal government and other Mid-Atlantic States, establish the infrastructure for higher-speed passenger rail between Washington, DC and Richmond as a spine that would connect to both Hampton Roads and North Carolina.

- Develop regional rail intermodal terminal facilities (e.g., in Petersburg, Roanoke and other areas).

- Continue strong and sustained support for Virginia shortline railroads.

- Whenever railway rights-of-way are being considered for abandonment, ensure that those which may be needed in the future are preserved for future rail use.

5. Commission Analysis

In this section, the Commission responds to the charge to examine Senate Bill 413 and various approaches to funding and governance of rail issues. The Commission also endorses the Virginia State Rail Plan, but with the caveats stated below.

An evaluation of the pros and cons of a rail transportation development authority was conducted and discussed. A different governance structure is recommended, with advantages listed in this section. At some future time, an independent authority may be needed. At present, however, the Commission believes that strong and professional leadership from DRPT, along with close coordination with the Commonwealth Transportation Board, is the best way to advance rail issues in the Commonwealth, while also ensuring multimodal connectivity. It is the most timely and logical next step. Under any scenario, a dedicated funding source is essential. The Commission recommends and urges that a new source of funding be identified, one that does not reduce the already modest funding allocated to VRE and transit in the Commonwealth.

5.A. The Issues

As reflected in the Introduction, the Commission's charge includes:

- Reviewing the State Rail Plan
- Reviewing Senate Bill 413 (2004) recommendations regarding a rail transportation development authority
- Considering innovative financing options
- Making other recommendations as appropriate

5.B. Virginia State Rail Plan Comments

Summarized earlier in the report, the Virginia State Rail Plan is an excellent document providing an outstanding history of the rail industry, cataloging rail needs and projects in the Commonwealth, clearly stating a number of challenges, and providing valuable statistical data on which to base future rail planning decisions.

A presentation of the Rail Plan was made to Commissioners at their first meeting on July 19, 2004, along with overviews of several project updates and key studies, in particular *The Northeast – Southeast – Midwest Corridor Marketing Study – Examining the Potential to Divert Highway Traffic From I-81 to Rail Intermodal Movement.*

The Commission endorses the Rail Plan but recommends that additional work be done to prioritize projects according to rail corridors, and to identify where public-private investments would be most beneficial. This analysis should be part of the mission of a newly created body tasked with giving rail the focus and advocacy needed in order to fulfill the Commission's recommended Vision Statement.

5.C. Governance - Alternative Structural Approaches

Although the charge to the Commission specifically requested recommendations with respect to an "Authority," the Commission considered it important to explore a range of institutional arrangements that might be recommended. It was important for the Commission to consider first what the purpose of any structural arrangement would be before deciding on a preferred alternative. In other words, the Commission wanted to define first the outcome that could be achieved, then consider the best structure for attaining that outcome. The Commission believes the recommended new vision statement captures this direction.

The Commission's second meeting included discussions with officials from Norfolk Southern, CSX and Amtrak about the nature of their relationships with each other and public/private partnership activities in other states. Additionally, the Commission reviewed a report, prepared by the DRPT, listing the practices of state rail agencies throughout the U.S. Eleven distinct rail agencies were identified, including seven authorities. Most states vest rail projects and issues within their Departments of Transportation. Both CSX and Norfolk Southern stated that they often use Virginia as a model for some of their successful public/private ventures. At the Commission's third meeting, it learned about the creation, evolution and powers of the Commonwealth's Virginia Resource Authority. The Commission learned that this organization's powers and duties evolved incrementally.

The Commission believes that key parameters for a recommended structural arrangement must include:

- **Focus** for rail issues and projects. An effective structure should ensure that rail issues be given the time and attention required to advance the Commonwealth's rail agenda. Staff support with senior level professional expertise must be part of this structure.

- **Advocacy** for rail to provide a bi-partisan voice for rail in any broad discussion about transportation needs in the Commonwealth. While Virginia changes leadership every four years, rail and other transportation investments span decades. A strong and committed body will aid in keeping rail involved in such discussions. Modes of transportation other than rail often benefit from the advocacy their governmental structures afford them. Built-in advocacy groups for highways and transit are motorists and commuters. Unless clearly pointed out, the public benefit of freight rail improvements may not be understood or appreciated. Additionally, opportunities for relieving traffic congestion or improving air quality via "choke point" rail investments have often been absent from transportation planning processes. An effective structure will give voice to the benefits of priority rail projects.

- **Forum** for considering rail opportunities and alternatives. An effective structure will provide for the appointment of individuals and organization representatives with the interest and expertise to discuss the challenges and suggest strategies for pursuing the Commonwealth's rail vision. An effective structure, utilizing the expertise of appointed members, will augment the professional talent employed with DRPT and provide support for moving its agenda forward.

With these considerations in mind, the Commission examined the three potential approaches as outlined in "A Study of the Proposed Rail Transportation Development Authority". The Commission has added a new Option, #4, which is a variation of the Study's third option.

- Option #1: An 'independent' authority with bonding powers
- Option #2: A rail agency within Commonwealth government that has bonding powers
- Option #3: Strengthening DRPT and charging the CTB with broader rail responsibilities and financing
- Option #4: Strengthen DRPT and charge the CTB with broader rail responsibilities and financing, as in Option #3 above. Additionally, establish a permanent Rail Advisory Commission, chaired by an at-large member of the CTB appointed by the Governor.

In weighing the pros and cons of the various options, the Commission found Option #3 to be a good structure, taking advantage of existing authorities and intergovernmental relationships, and with the highest likelihood of finding favor with the General Assembly. Option #4 would add the establishment of a Rail Advisory Commission, which would provide the focus, advocacy and forum that Commission members believe to be critical parameters of an effective governance structure. At some time in the future, an independent Authority may be needed. At this point, however, the development and strengthening of professional leadership from DRPT, along with close coordination with the Commonwealth Transportation Board, appears to be the best and most expedient way to provide a stronger voice for rail in the Commonwealth, while also ensuring multimodal connectivity.

The pros and cons of these alternatives are summarized in **Attachment C.**

5.D. Innovative Funding Mechanisms

The Commission reviewed funding mechanisms utilized by other states. As with Virginia, some limited federal funding is matched with state and local funds. Sources of dedicated state revenue range from general fund dollars (various states), to state fuel taxes, lottery-backed bonds (OR), loan programs (multiple states), general fund-backed Annual Block Grant (PA), a Diesel Fuel Tax and Highway User Fee (TN), state general fund bonds, rental car taxes (NC) and container fees (CA).

The Commission was advised that any indebtedness to be paid with Commonwealth funds is considered debt of the Commonwealth, regardless of whether it is issued by an independent authority. It became clear that creating an independent entity would not circumvent this conclusion. The Commission then reasoned that the more important issue was to create a dedicated source of revenue that would allow the Commonwealth to partner with other entities to fund projects and service debt. Rail banking is a method to consider in order to ensure the availability of a rail corridor in the future.

States' Survey 2004. A survey of state rail programs was conducted to provide information on the programs, financing and organization of other states for the Commission. There were responses from 41 states. The majority of the rail programs of the states are placed under the secretary's office or the state department of transportation. In a few states, freight and passenger rail are in different agencies. North Carolina's rail comes under the NC DOT and its Board, but they also have a Rail Advisory Commission. Virginia is one of the few states where rail is placed within a separate entity outside the Department of Transportation.

This survey found that states are using various funding combinations. Most of the states use transportation trust funds. Other sources are general funds, bonds, sales taxes, lottery and repaid loan funds. All have indicated a need for federal funds. Below are relevant data from this survey of 41 states:

- 27 states have rail freight programs, where some are unfunded and some are funded with loans.
- 19 states have intercity passenger programs.
- 13 states have commuter rail programs.
- 9 states have rail access programs, which serve as connections for businesses.
- 9 states have purchased rail corridors and most are branch lines. Florida, Vermont and North Carolina own major lines.
- 4 states have special projects such as the Alameda Corridor, the Delaware (Shellpot) Bridge, Chicago area projects, I-81 projects and Mid-Atlantic Regional Operations projects.

See **Appendix B** for full states' survey information.

Preferred Approach. The Commission recommends that a sustained, dedicated source of revenue or funding mechanism be pursued for rail enhancements, with the goal of making funds available for leveraging through public private partnerships, matching federal funds and/or servicing debt. While a number of potential revenue sources were discussed by the Commission, (e.g. an increase in the Commonwealth fuels tax, or a shipping container fee), the Commission is not recommending a specific funding source. Innovative practices employed by a number of other states should be more closely examined to determine if they might be applicable and useful in Virginia.

Caution must always be exercised to ensure that when public dollars are spent on private freight rail lines, a clear public benefit results that may not have been possible without the public investment.

5.E. Transportation Policy

The Commission finds that there is a general lack of rail transportation funding both at the federal and state levels. There is also no federal policy currently in place for rail transportation funding. The only program in place is Section 130, which funds grade crossing improvements.

5.F. Transportation Planning Considerations

Rail (as well as freight in general) lacks visibility in the transportation planning process; the focus is on highway and transit "projects". If the Virginia rail vision is to become a reality, both passenger and freight rail must be accepted as part of a Commonwealth intermodal system. To achieve this status, rail should be included in the transportation planning process at both Commonwealth and metropolitan planning organization (MPO) levels. Further, the

Commission recommends that training and support be provided for MPO's to assist them in adapting to this enhanced planning process.

For example, in the Northern Virginia 2020 Transportation Plan process, a great deal of time was spent by VDOT staff and elected leaders in Northern Virginia to find ways to improve the severe congestion along the I-95 highway corridor. No examination was made to explore whether resolution of several rail choke points in the same corridor could divert a portion of the through-truck traffic, or how a shared freight/highway bypass might have improved transportation in the corridor.

6. Recommendations

The Governor's Commission on Rail Enhancement for the 21st Century presents the following recommendations in response to its charge under Executive Order 71:

1. Adopt the following Virginia Rail Vision and Goals:

Vision

Virginia's rail system- a key component of the Commonwealth's intermodal system for the movement of people and goods- will be a partner in the mid-Atlantic region, providing higher-speed intercity passenger and commuter service along major corridors, and accommodating significant increases in freight movement supportive of the Commonwealth's economic development goals. Virginia's rail system will enhance safety, reduce congestion on highways, and achieve environmental goals.

Rail Goals

- Significantly increase both freight and passenger rail capacity and reliability in the I-81, I-64, US 460, I-95 and US 29 corridors.

- Working with the partner transportation commissions (Northern Virginia and Potomac Rappahannock) and local participating jurisdictions, expand the Virginia Railway Express (VRE) to accommodate increased ridership and demand, improve service, and expand coverage both within their existing transportation commission boundaries and beyond.

- Initiate the TransDominion Express passenger rail service (TDX), which would link Southwestern Virginia to Richmond via Lynchburg, and Southwestern Virginia to Washington, D.C. via Lynchburg and Charlottesville.

- Improve freight rail service to the Hampton Roads/Newport News ports.

- In coordination with the federal government and other mid-Atlantic states, establish the infrastructure for higher-speed passenger rail between Washington, DC and Richmond as a spine that would connect to both Hampton Roads and North Carolina.

- Develop regional rail intermodal terminal facilities (e.g., in Petersburg, Roanoke and other areas).

- Continue strong and sustained support for Virginia short-line railroads.

- Whenever railway rights-of-way are being considered for abandonment, ensure that those that may be needed in the future are preserved for future rail use.

2. Endorse the Virginia State Rail Plan as an excellent document providing an outstanding history of the rail industry and a cataloging of rail needs and projects in the Commonwealth, further recognizing, however, that it needs continued work by senior management to prioritize projects, to identify where public-private investments would be most beneficial and to shape the details of a rail implementation plan for the Commonwealth.

3. Reaffirm rail development responsibilities with the Department of Rail and Public Transportation, ensuring that adequate senior-level staffing is provided to achieve the rail vision and goals.

4. Designate the Commonwealth Transportation Board (CTB) as the entity authorized to issue bonds or other indebtedness to support rail enhancements, subject to bonding, statutory and constitutional requirements.

5. Create a permanent Rail Advisory Commission, chaired by an at-large member of the CTB designated by the Governor. The Rail Advisory Commission would advise the Secretary of Transportation and the Director of the Department of Rail and Public Transportation (DRPT). In consultation with the Director of DRPT, it would also have the responsibility of making recommendations to the CTB as to distributions or grants from the Railway Preservation and Development Fund. Further, it would be charged with providing the focus and advocacy for rail issues needed to realize the Virginia rail vision and goals outlined in this report. The Advisory Commission should periodically review, update and assist with prioritization of projects in the Virginia State Rail Plan. It should also provide an annual progress report to the Governor, the Director of DRPT, the CTB and the Secretary of Transportation on progress being made to achieve the vision and goals, along with any needed recommendations.

6. Pursue dedicated and sustained funding mechanisms for rail enhancements that would allow the Commonwealth to partner with other entities to fund projects and service debt. The Commission recommends and urges that this be a new source of funding, one that does not detract from the already modest funding allocated to transit in the Commonwealth.

7. Seek an amendment to sub-section E of Section 33.1-221.1:1.1 of the Code of Virginia (Chapter 621, 2004 Acts of Assembly) (HB.644), Railway Preservation and Development Fund, to provide a matching requirement, or in-kind contribution, when monies in this Fund are used to partner with private railroad companies on projects that have a public benefit, as determined by the CTB upon recommendations from the Rail Advisory Commission.

8. Recommend that rail (both passenger and freight) be incorporated into Virginia's Commonwealth and metropolitan planning organization (MPO) planning processes.

9. In partnership with other states, pursue with the federal government the inclusion of rail as a key element of national transportation policy and funding, with a view to its criticality in addressing the increasing freight demands, the need for higher-speed intercity passenger and commuter service, and environmental concerns.